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NORLEX MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1966

NORLEX MINES LIMITED

OFFICERS	WILLIAM PLEXMAN - - - - -	President and General Manager
	S. A. PERRY - - - - -	Vice-President
	G. D. PATTISON - - - - -	Secretary-Treasurer
	R. D. BELL - - - - -	Assistant Secretary-Treasurer
DIRECTORS	R. D. BELL - - - - -	Toronto, Ontario
	W. E. ESSERY - - - - -	Toronto, Ontario
	G. D. PATTISON - - - - -	Aurora, Ontario
	S. A. PERRY - - - - -	Toronto, Ontario
	WILLIAM PLEXMAN - - - - -	Toronto, Ontario
BANKERS	THE TORONTO-DOMINION BANK - - - - -	Toronto, Ontario
AUDITORS	FISHER, NISKER & COMPANY - - - - -	Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY - - - - -	Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST - - - - -	Toronto, Ontario

NORLEX MINES LIMITED

Suite 509, 25 Adelaide Street West

Toronto 1, Ontario

Directors' Report

To the Shareholders,

NORLEX MINES LIMITED.

Submitted herewith is the Financial Statement of your Company for the year ended December 31, 1966 with Auditors' Report thereon dated February 15, 1967.

During the past year a geophysical survey was completed on the Company's 20 mining claims, acquired by staking, in the Whitefish Bay area of the Lake of the Woods, Kenora Mining Division, Ontario. Several strong electromagnetic anomalies were outlined along a strike length of 6000 feet. Subsequent surface stripping and rock trenching of the anomalous areas uncovered massive and disseminated sulphide mineralization across widths in excess of 30 feet at intervals over a length of 1000 feet. Grab samples from the trenches yielded values of up to 3.0 percent copper.

In late September 1966 your Company acquired an option on a promising base metal property consisting of 14 mining claims situated in Elmhirst and Pifher Townships, Port Arthur Mining Division, Ontario. An additional 29 claims were acquired by staking contiguous to the optioned group. Previous exploration on this property established a sulphide zone containing good copper values over a length of 600 feet. A diamond drilling program was initiated in November 1966 and to date over 5000 feet of drilling has been completed with ore material being intersected in several holes. Drilling is being continued under the direction and supervision of Canadian Javelin Limited. The option payments required to be made by March 24, 1967 on the 14 mining claims held under option have been paid.

In January 1967 your Company entered into an agreement with Canadian Javelin Limited, whereby Canadian Javelin will undertake the further exploration of the Kenora area property, and the Elmhirst-Pifher Township property forthwith. On performance of definite work commitments, Canadian Javelin may earn a 51% interest in each of the properties held by your Company. In addition to the aforementioned work commitments, Canadian Javelin has also underwritten 400,000 Norlex shares at 25¢ per share to provide the sum of \$100,000 for the Company.

The option to purchase 9 mining claims in Rathbun Township, Sudbury Mining Division, Ontario, has been allowed to lapse. The Company continues to hold the property in MacDiarmid Township, Porcupine Mining Division, Ontario, in good standing.

Your Company will continue its policy of search and examination for mining properties of merit during the forthcoming prospecting season.

Toronto, Ontario,
March 20, 1967.

On behalf of the Board of Directors,

WILLIAM PLEXMAN

President and General Manager.

NORLEX MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Balance Sheet - December 31, 1966

ASSETS

CURRENT ASSETS

Cash	\$ 8,544.00	
Deposit receipt with chartered bank	30,000.00	
Accrued interest	<u>246.00</u>	\$ 38,790.00

INVESTMENTS

Marketable securities, at written down value (market value \$164.00)		451.00
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FIXED ASSETS (Note 3)

Mining claims, at cost (Note 1)	\$160,872.00	
Payment on option to purchase mining claims (Note 2)	<u>5,000.00</u>	
	\$165,872.00	
Field equipment, at cost	<u>1,500.00</u>	167,372.00

DEFERRED EXPENDITURES

Exploration and administrative expenditures, per statement	\$124,398.11	
Participation in grubstake	<u>1,000.00</u>	125,398.11

Approved on behalf of the Board of Directors:

WILLIAM PLEXMAN (Director)

G. D. PATTISON (Director)

\$332,011.11

The accompanying notes are an integral part of this balance sheet.

AUDITOR

To the Shareholders of
NORLEX MINES LIMITED

We have examined the balance sheet of Norlex Mines Limited as at December 31, 1966, and the statements of deferred exploration expenditures for the year ended on that date. Our examination included a general review of the accounting records and such other information as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of deferred exploration expenditures as at December 31, 1966 and its activities for the year ended on that date, in accordance with the requirements of the Companies Act, are presented fairly in all material aspects.

Toronto, Ontario,
February 15, 1967.

ES LIMITED

of the Province of Ontario)

December 31, 1966

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 8,101.01
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SHAREHOLDER'S EQUITY

CAPITAL STOCK (Note 3c)

Authorized:

5,000,000 shares, par value \$1.00 each

Issued and fully paid:

3,100,000 shares at December 31, 1965 \$3,100,000.00

Less — discount 2,322,860.17 \$ 777,139.83

400,000 shares issued in 1966 for cash \$ 400,000.00

Less — discount 332,000.00 68,000.00

3,500,000 shares \$ 845,139.83

CONTRIBUTED SURPLUS — arising from the reduction of

capital stock on February 27, 1963 1,448,559.32

\$2,293,699.15

DEFICIT, per statement 1,969,789.05 323,910.10

\$332,011.11

al part of the financial statements.

REPORT

and the statements of deferred exploration and administrative expenditures and deficit for
cedures and such tests of accounting records and other supporting evidence as we considered

administrative expenditures and deficit present fairly the financial position of the company
generally accepted accounting principles applied on a basis consistent with that of the

FISHER, NISKER & COMPANY

Chartered Accountants.

NORLEX MINES LIMITED

Notes to Financial Statements

December 31, 1966

NOTE 1 — MINING CLAIMS HELD BY COMPANY

16 unpatented mining claims in MacDiarmid Township, Port Arthur Mining Division, Ontario, at valuation attributed to 300,000 shares of capital stock issued for the claims and \$20,000.00 paid in cash	\$ 65,000.00
29 unpatented mining claims in Elmhirst Township, Port Arthur Mining Division, Ontario, acquired for cash	1,450.00
20 unpatented mining claims in the Whitefish Bay Area, Manross Township, District of Kenora, Ontario, acquired for cash	2,172.00
18 unpatented mining claims in the Quetico Park Area, Fort Francis Mining Division, Ontario, at valuation attributed to 85,000 shares of capital stock issued for the claims and \$20,000.00 paid in cash	92,250.00
	<u>\$160,872.00</u>

NOTE 2 — OPTION ON MINING CLAIMS

Pursuant to an agreement dated September 24, 1966, the company paid \$5,000.00 to acquire an option to purchase 14 unpatented mining claims in the Townships of Pifher and Elmhirst, Port Arthur Mining Division, Ontario. To exercise the option the company must pay an additional \$45,000.00 and issue 150,000 shares of its capital stock as follows:

\$ 7,000.00 by March 24, 1967 together with	50,000 shares of capital stock
15,000.00 by September 24, 1967 together with	50,000 shares of capital stock
23,000.00 by March 24, 1968 together with	50,000 shares of capital stock
<u>\$45,000.00</u>	<u>150,000 shares</u>

(Reference is made to Note 3(b) below.)

NOTE 3 — TRANSACTIONS SUBSEQUENT TO BALANCE SHEET DATE

- (a) The company has granted Canadian Javelin Limited a working option on its mining claims in the Whitefish Bay Area, Kenora Mining Division, Ontario. Canadian Javelin has agreed to carry out a minimum of 5,000 feet of diamond drilling on the claims. However drilling may terminate after 2,000 feet if in the opinion of Canadian Javelin's engineering staff and concurred in by an independent geologist, no further drilling is warranted.

If 5,000 feet of diamond drilling has been carried out by Canadian Javelin before November 1, 1967, it can exercise its option by causing a new company to be incorporated (with an authorized capital of 5,000,000 shares) to acquire the mining claims for 750,000 shares of its capital stock of which Norlex will receive 367,500 shares.

Relative to the financing of the new company, pre-emptive rights will be granted to its shareholders but provision is made that the holdings of Norlex in the new company shall not be reduced below 20% of its issued and outstanding shares.

- (b) The company has granted Canadian Javelin Limited a working option on 43 mining claims in the Townships of Pifher and Elmhirst, Ontario. Fourteen of these claims are under option to the company pursuant to an agreement dated September 24, 1966 (see Note 2) and the remaining 29 claims were acquired by the company for \$1,450.00.

Norlex must pay the first option payment of \$7,000.00 and issue the 50,000 shares of its stock due March 24, 1967 under the terms of the September 24, 1966 option agreement if it is requested to do so by Canadian Javelin. The agreement with Canadian Javelin terminates if such request is not made by March 10, 1967.

Canadian Javelin has agreed to carry out a minimum of 5,000 feet of diamond drilling on the claims by August 31, 1967, or 2,500 feet if no further drilling is warranted in the opinion of their engineering staff and concurred in by an independent geologist.

After Canadian Javelin has drilled a minimum of 2,000 feet it may at any time after April 1, 1967 and prior to August 31, 1967 exercise its option by causing a new company (with an authorized capital of 5,000,000 shares) to be formed to acquire the mining claims for 750,000 shares of its capital stock of which Norlex will receive 367,500 shares.

If Canadian Javelin fully exercises its option, the cash portion of the option instalments remaining under the September 24, 1966 agreement (\$15,000.00 by September 24, 1967 and \$23,000.00 by March 24, 1968) will be paid by the new company else all interest in the mining claims will revert to Norlex. If the new company elects to make either or both of the

NORLEX MINES LIMITED

Notes to Financial Statement (Cont'd)

aforesaid cash payments, Norlex will issue 50,000 shares of its capital stock as required by the September 24, 1966 agreement contemporaneously with each of the cash payments, but said shares will not be issued without prior approval of the Toronto Stock Exchange.

Relative to the financing of the new company, pre-emptive rights will be granted to its shareholders but provision is made that the holdings of Norlex in the new company shall not be reduced below 20% of its issued and outstanding shares.

- (c) In January 1967, the company received from an underwriter acting as agent for Canadian Javelin Limited \$100,000.00 in consideration for the sale of 400,000 shares of capital stock at 25¢ per share. In addition the company has granted the underwriter an option to purchase all or any part of a further 200,000 shares at 30¢ per share exercisable on or before April 26, 1967.

Statement of Deficit

For the Year Ended December 31, 1966

BALANCE DECEMBER 31, 1965		\$1,854,243.39
ADDITIONS DURING 1966		
Cost of mining claims abandoned	\$51,000.00	
Option payment on mining claims — option not exercised	5,000.00	
Exploration expenditures incurred on mining claims and option abandoned	45,245.66	
Administrative expenditures apportioned to mining claims and option abandoned	14,300.00	115,545.66
BALANCE DECEMBER 31, 1966		<u>\$1,969,789.05</u>

Deferred Administrative Expenditures SCHEDULE "A"

For the Year Ended December 31, 1966

Head office services, rent, accounting and secretarial services	\$ 3,900.00
Legal and audit fees	675.00
Stock transfer expenses	1,498.26
Shareholders' information and annual report	3,466.75
Stock exchange fees	300.00
Government fees	80.00
Travelling	231.16
Directors' fees	1,000.00
Miscellaneous	443.32
	<u>\$11,594.49</u>
Less — interest earned	2,824.06
	<u>\$ 8,770.43</u>

NORLEX MINES LIMITED

Statement of Deferred Exploration and Administrative Expenditures For the Year Ended December 31, 1966

EXPLORATION

RATHBUN TOWNSHIP, ONTARIO

Diamond drilling	\$ 15,311.41	
Geophysical survey and line cutting	4,427.25	
Engineering fees	500.00	
Travel, transportation and accommodation	1,979.12	
Government fees	104.50	
Miscellaneous	256.59	\$ 22,578.87

ELMHIRST AND PIFHER TOWNSHIPS, ONTARIO

Diamond drilling	\$ 11,743.66	
Engineering fees	1,200.00	
Travel, transportation and accommodation	1,726.52	
Government fees	143.00	
Miscellaneous	420.98	15,234.16

WHITEFISH BAY AREA, MANROSS TOWNSHIP, ONTARIO

Geophysical survey and line cutting	\$ 4,268.50	
Stripping and trenching	2,781.27	
Engineering fees	235.00	
Travel, transportation and accommodation	1,360.31	
Government fees	110.00	
Miscellaneous supplies and expense	921.09	9,676.17

OTHER PROPERTIES

Government fees		94.50
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\$ 47,583.70

GENERAL MANAGER'S SALARY

6,000.00

\$ 53,583.70

ADMINISTRATIVE (Schedule "A")

8,770.43

TOTAL EXPENDITURES FOR THE YEAR

\$ 62,354.13

BALANCE DEFERRED DECEMBER 31, 1965

121,589.64

\$183,943.77

Deduct — expenditures incurred on mining claims abandoned — written off to deficit:

Rathbun Township, Ontario

\$ 35,521.24

Bousquet Township, Quebec

24,024.42

59,545.66

BALANCE DEFERRED DECEMBER 31, 1966

\$124,398.11

Summary of Deferred Expenditures

EXPLORATION

MacDiarmid Township, Ontario	\$ 31,792.18	
Elmhirst and Pifher Townships, Ontario	16,234.16	
Whitefish Bay Area, Manross Township, Ontario	12,676.17	
Quetico Park Area, Ontario	36,514.07	\$ 97,216.58

ADMINISTRATIVE

27,181.53

\$124,398.11